

**TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE**



FISCAL NOTE

HB 707 - SB 1008

March 25, 2011

SUMMARY OF BILL: Implements multiple changes to state law regarding the Tennessee Consolidated Retirement System (TCRS) and the deferred compensation plan. Section 1 authorizes the chair of the Consolidated Retirement Board to assess costs associated with administering the deferred compensation plan to participating employees. Sections 2 and 3 rewrite, but do not substantially change, state law authorizing local government participation in the Tennessee Consolidated Retirement System (TCRS). Section 4 declares that any law bestowing membership in TCRS on or after the effective date of this bill, must be codified in Title 8, Chapter 35. Section 5 makes a technical correction by referring to the Commissioner of Personnel as the Commissioner of Human Resources. Section 6 rewrites, but does not substantially change, state law regarding the proration of expenses among employers for TCRS and the optional retirement program. Section 7 extends the sunset date, from June 30, 2014, to June 30, 2016, for implementing the Concord Project, which is the project intended to replace the existing retirement operating systems. Section 8 deletes a provision of state law that could be interpreted as authorizing an entity that is not a political subdivision of the state to have access to TCRS through a joint venture agreement. Section 9 increases the amortization period from 20 years to 30 years for certain TCRS members, when the political subdivisions that funded their retirement benefits withdraw from TCRS. Section 10 limits a provision of state law regarding maximum allowances to certain employees and teachers remaining in service after 65 years of age to those employees who are employed prior to July 1, 2011. Section 11 deletes an obsolete section of law regarding unpaid benefits from the superseded judges' retirement system. Sections 12 and 13 authorize the State Treasurer to contract for legal counsel for the deferred compensation program in the same manner as authorized for TCRS. Section 14 authorizes TCRS documents to be filed electronically with electronic signatures. Section 15 authorizes a political subdivision to pass a resolution to discontinue the mandatory retirement provision for all firefighters and police officers employed after the effective date of the resolution. Section 16 authorizes a political subdivision to pass a resolution to discontinue benefit improvements for employees hired after the effective date of the resolution.

ESTIMATED FISCAL IMPACT:

NOT SIGNIFICANT

Assumptions:

- TCRS indicates no cost for Section 1 because the language clarifies that the costs associated with administering the deferred compensation plan is borne by the participants.

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- TCRS indicates no cost for Sections 2 and 3 because legislation was enacted in 2010 permitting local governments to participate in the state's defined contribution plan. These sections simply define what qualifies as a governmental entity.
- TCRS indicates no cost for Section 4 because existing statute is reworded to enhance the language to prevent passage of retirement provisions outside of TCRS law.
- TCRS indicates no cost for Section 5 because it is a technical correction.
- TCRS indicates no cost for Section 6 because existing statute is reworded to clarify that TCRS cost and cost for the Optional Retirement Plan (ORP) are paid by the participating employers. ORP is under the umbrella of TCRS.
- TCRS indicates no cost for Section 7 because the Concord project was delayed under current law. This section codifies what is currently taking place.
- TCRS indicates no cost for Section 8 because it clarifies that non-governmental entities are prohibited from participation in public pension plans.
- TCRS indicates no cost for Section 9 because local governments are currently responsible for the pension liabilities of their employees and retirees.
- TCRS indicates no cost for Section 10 because a provision in current law allows an employee who retires after age 65 to use an alternate actuarial calculation to determine the value of the benefit at age 65. This provision deletes the option for new hires.
- TCRS indicates no cost for Section 11 because it deletes an obsolete section of statute.
- TCRS indicates no cost for Sections 12 and 13 because the Attorney General's Office typically represents the Treasury Department on legal matters. Any other instances of representation would rarely occur.
- TCRS indicates no cost for Section 14 because this provision authorizes what will occur under current law as a result of the Concord project when implemented.
- TCRS indicates no cost for Section 15 because local governments are currently responsible for the pension liabilities of their employees and retirees.
- TCRS indicates no cost for Section 16 because local governments are currently responsible for the pension liabilities of their employees and retirees.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.



James W. White, Executive Director

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